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SERVICE SECTOR INDICATORS

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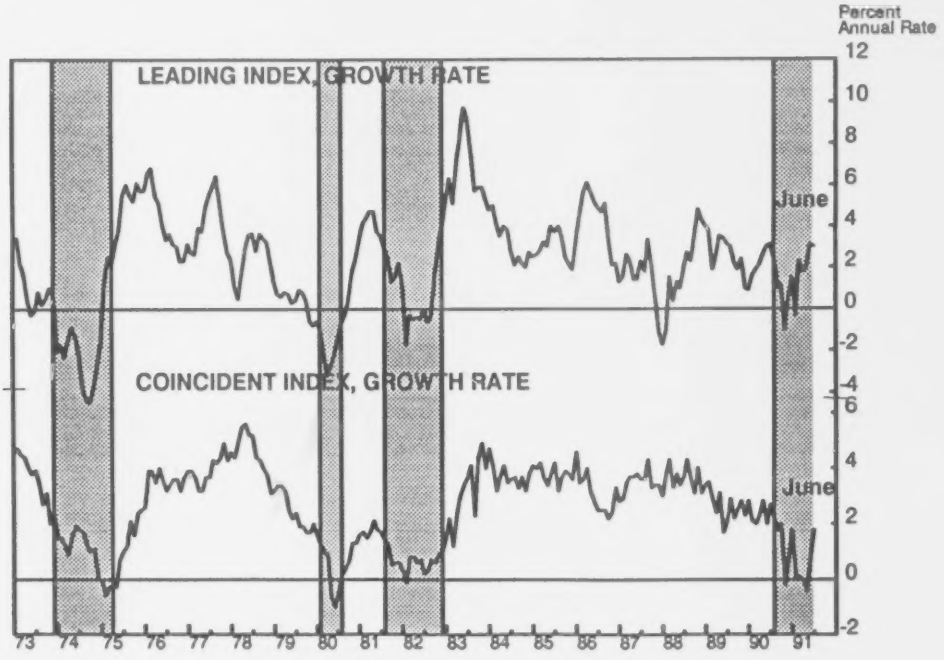
RECOVERY IN SERVICES INDEXES CLEARLY UNDERWAY

The Leading Index of Service Sector Activity, compiled by the Columbia Business School's Center for International Business Cycle Research (CIBCR), rose from a revised 168.7 in May to 168.8 in June, while its smoothed annualized growth rate slipped marginally to 3.0% in June from a revised 3.1% in May. The index was pushed up by another rise in the average workweek in the service sector, partly offset by a further drop in construction contracts for commercial buildings.

Meanwhile, the Coincident Index of Service Sector Activity rose strongly from a revised 192.9 in May to 194.2 in June, carrying its annualized growth rate up from a revised 0.7% in May to 1.8% in June. The index was pushed up by favorable movements in all four components – a rise in services output in the second quarter, along with advances in employee hours, labor income and personal consumption expenditures in services.

This is clear evidence that the recession in the service sector has ended, and steady if unspectacular growth in services activity is likely in the months ahead.



Shaded areas represent business cycle recessions

LEADING INDEX OF SERVICES, AND COMPONENTS

	Leading Index* (1967=100)	Leading Index Growth Rate (%)	Average Workweek, Services (hours)	Construction Contracts, Commercial Buildings (mil. sq. ft., ann. rate)	S&P Stock Price Index, Services, (Mar. 87=100)	Profit Margins, Services (cents per dollar)
	1.	2.	3.	4.	5.	6.
1990:						
Jan.	162.9r	1.6r	32.61	826	116.5	4.36
Feb.	164.1	1.9	32.72	758r	112.1	4.44
Mar.	164.6	2.1	32.70	720	114.6	4.49
Apr.	165.4r	2.6r	32.77	738	113.8	4.54
May	166.0	3.0	32.70	738r	117.3	4.59
June	166.4r	3.1r	32.74	671r	121.2	4.57
July	166.1	2.4r	32.73	584r	118.5	4.54
Aug.	165.1	0.1r	32.65	597	106.0	4.51
Sept.	165.5	1.2r	32.86	595	100.1	4.45
Oct.	163.8	-1.0	32.44	584r	98.0	4.39
Nov.	165.1	0.5r	32.64	599r	102.0	4.33
Dec.	166.2	1.5	32.84	474r	107.8	4.35
1991:						
Jan.	164.9	-0.3	32.38	498r	106.2	4.38
Feb.	167.3r	2.3r	32.60	526	118.4	4.40
Mar.	167.1	1.8r	32.56	445r	120.4	n.a.
Apr.	167.5	2.0r	32.34r	561r	124.1	n.a.
May	168.7r	3.1r	32.63r	487r	122.5	n.a.
June	168.8	3.0	32.78	356	122.5	n.a.

COINCIDENT INDEX OF SERVICES, AND COMPONENTS

	Coincident Index* (1967=100)	Coincident Index Growth Rate (%)	Services Output, GNP (bil. 1982$, ann. rate)	Services, Personal Consumption Expenditures (bil. 1982$, ann. rate)	Services Labor Income (bil. 1982-84$ ann. rate)	Service Employee Hours (bil., ann. rate)
	7.	8.	9.	10.	11.	12.
1990:						
Jan.	190.2r	2.1r	1942.4	1318.8	694.5r	114.6
Feb.	190.4r	2.0r	1943.7	1323.2	695.4r	114.6
Mar.	191.0	2.3	1946.6	1330.5	698.0	114.9
Apr.	191.8r	2.8r	1949.6	1336.9	702.7r	115.5
May	191.5	2.0	1952.5	1336.6	700.8	115.0
June	192.6r	2.7r	1957.4	1349.1	702.9r	115.8
July	192.5	2.2	1962.4	1347.7	702.6r	115.6
Aug.	192.4	1.8	1967.3	1351.5	700.0r	115.2
Sept.	193.0	2.0	1971.8	1353.2	700.0r	116.3
Oct.	191.1	-0.2r	1976.2	1351.3	683.2r	114.4
Nov.	192.0	0.6	1980.7	1353.1	690.3	115.2
Dec.	193.5r	1.8r	1984.8	1365.8	698.2r	116.0
1991:						
Jan.	191.8r	0.0	1961.3r	1360.8	686.2r	114.4
Feb.	192.1r	0.1	1988.9r	1361.1	686.3r	114.9
Mar.	192.1	0.0	1993.0	1369.3	688.7	113.7
Apr.	191.8r	-0.4r	1996.8	1373.4r	685.0	112.9
May	192.9r	0.7r	2000.6	1379.6r	691.8r	113.8r
June	194.2	1.8	2004.4	1386.4	698.5	114.5

Note: Cols. 2 and 8. The growth rates are six-month smoothed percent changes at annual rate, based on the ratio of the current month's index to the average for the preceding twelve months.

r = revised.

Sources: 3. Bureau of Labor Statistics, Production and non-supervisory workers.

4. McGraw-Hill Company, F.W. Dodge Division. Seasonally adjusted by CIBCR.

5. Standard & Poor's Corporation indexes for 13 service industries, compiled by CIBCR.

6. This quarterly series is (1) corporate profits with inventory valuation and without capital consumption adjustments for transportation and public utilities, wholesale and retail trade, finance, insurance and real estate, and services, divided by (2) gross national product for services, both in current dollars as compiled by the Department of Commerce. Quarterly data are interpolated by CIBCR.

9, 10. Department of Commerce, Bureau of Economic Analysis. Quarterly data for output are interpolated by CIBCR.

11. Bureau of Labor Statistics. Payroll index, 1977 = 100, converted to 1982-84 dollars by CIBCR, using CPI, All Urban Consumers, seasonally adjusted.

12. Bureau of Labor Statistics, all employees.

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